The Illinois Industrial Energy Consumers (IIEC) appreciate the valuable webinars and presentations to date on this important matter of energy storage.[i] It is a topic with broad implications that requires much study and analysis, not only in the context of the possibility of state-wide benefits associated with these energy storage systems, but in what manner they should be pursued or considered in a utility/regulatory construct. Below, IIEC shares some of its initial views on how to achieve benefits of energy storage systems.

One significant barrier to efficient development of energy storage in Illinois would be significant ownership/control of such facilities by monopoly distribution utilities. IIEC's position is that distribution utilities in Illinois should *only* own energy storage systems to the minimum extent necessary under law, and should be allowed to own such facilities *only* to the extent necessary to provide adequate and reliable regulated delivery service. More discussion is warranted as to the limited circumstances that allow utility ownership of energy storage systems, and the conditions to be imposed.

There is no need for an Illinois distribution utility to spearhead the development of energy storage systems. A simple online search of energy storage companies in the United States reveals hundreds of new energy storage companies, along with other well-established companies. As the General Assembly wisely recognized in 1997 with the passage of the Electric Service Customer Choice and Rate Relief Law (Customer Choice Law), allowing markets to work serves the best interests of Illinoisans.

Generally speaking, energy storage is more closely aligned with energy production, a competitive service in Illinois, and thus storage service should be provided on a competitive basis. To allow utility ownership is to enhance a monopolization not needed, and for what should be a market driven, competitive product and service. Allowing for utility control over a competitive product or service means more costs to consumers and less efficiency and innovation, and is counter to the competitive environment established in the Customer Choice Law.

Most recently, in response in opposition to Ameren Illinois Company's (Ameren) Senate Bill 311 in 2021, IIEC offered its concerns regarding utility ownership of energy storage:

> *The bill would allow Ameren to invest in energy storage facilities and to recover the cost of such investments through delivery service rates, despite that fact that energy storage is unrelated to delivery service. Again, the bill does not impose any cost cap on such investments, nor does it require Ameren to procure such storage on a competitive basis, by subjecting these resource acquisitions to a*

> *competitive solicitation process or by demonstrating that the proposed storage resources are the least cost means of meeting the reliability need. Given the high cost of storage facilities, these provisions of the bill could impose major new costs on Illinois customers, without any competitive cost discipline and with no effective regulatory oversight. Finally, as is the case with Ameren's electric vehicle infrastructure proposal, it is likely to discourage others from investing in energy storage facilities.*

"Distribution utilities" should remain just that – utilities that only provide distribution delivery services. There is no place in the competitive electricity retail market for a player that owns energy storage and who has the financial advantages of guaranteed cost recovery, along with institutional, confidential and proprietary knowledge that the distribution utilities have with regard to the placement or location of energy storage facilities. No other market entrant has these significant advantages. The Staff for the Illinois Commerce Commission (ICC) made similar observations in testimony before the Senate Subcommittee on Energy and Public Utilities regarding Senate Bill 311, in March 2021:

> *Ameren Illinois is the sole electric distribution service option in its service area and, as you know, the Commission regulates rates, terms, and conditions related to its distribution service. As the operator of the electric distribution system, Ameren is well positioned to identify areas where its system can both technologically and economically accommodate electric vehicle charging stations, distributed generation, and storage and where such assets can provide the most benefit to the distribution network. Because Ameren Illinois is subject to minimal competition with respect to the provision of distribution services, it is also in a position to socialize the cost of the deployment of such assets among all of its delivery service customers and thus, it may deploy such assets where other companies cannot.*[ii]

IIEC recognizes that new Section 8-218 of the Public Utilities Act (PUA) allows Ameren to own and operate" … 2 pilot projects consisting of utility-scale photovoltaic energy generation facilities… in or near the towns of Peoria and East St. Louis… [which may include] energy storage facilities." 220 ILCS 5/8-218(a)(b). It is clear that the legislation is limiting and it remains to be seen what circumstances, if any, permit Ameren to enter the storage generation business any further.

With regard to these pilot programs, IIEC notes that Ameren, or any other utility considering utility ownership of energy storage, may be subject to Section 16-119A of the PUA and ICC's functional separation rules. 220 ILCS 5/16-119A; 83 ILAC Part 452. The functional separation rules were put in place for those utilities with generation (which had become a competitive service), requiring virtual and physical separation of the parts of the utility that owned and operated the competitive generation from the parts that provided non-competitive delivery service. Eventually, the utilities complied by establishing themselves as "Integrated Distribution Companies," with the concomitant marketing and other restrictions and, ultimately, divestiture of production facilities altogether. Mr. Zolnierek made a similar observation, "… note[ing] that, regarding current statutory language, Section 16-119A of the Public Utilities Act, allows the Commission to make rules regarding functional separation between an electric utility's competitive and non-competitive services. The Commission's Code Part 452 (Standards of Conduct for Functional Separation), currently contain provisions that impose limitations on the ability of Ameren to provide competitive services." *Id*.

A recognition of the competitive nature and benefits the energy storage industry may bring to Illinois should not be disregarded, particularly when considering the costs potentially and ultimately borne by ratepayers. The distribution utility has every opportunity to recover all operational expense dollars, and also earn an authorized rate of return which may be high, depending on the outcome of its rate case. In contrast, the energy storage providers operating in a marketplace have no such assurances and are driven to be efficient and to offer competitively driven prices for their services and products. Saddling ratepayers with more cost and undermining the creation of a robust market must be avoided.

IIEC realizes its comments address only a limited aspect of the overall energy storage discussion. Clearly, based on the webinars and thoughtful presentations offered there is much more to learn and understand.

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[i] IIEC is an association of some of the largest industrial and institutional energy intensive consumers throughout Illinois. Companies who participate in IIEC employ thousands of working men and women whose families depend on an economic climate in Illinois, including energy markets, which will support and sustain the retention and expansion of a strong and steady workforce.

[ii] Testimony of Dr. James Zolnierek, Chief of the Public Utilities Bureau of the
Illinois Commerce Commission, Before the Senate Subcommittee on Energy and Public Utilities
Regarding Senate Bill 311, March 25, 2021